

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

MAY 22, 2000

IN RE:

**PETITION OF GASCO DISTRIBUTION SYSTEMS, INC.
FOR APPROVAL OF A SPECIAL CONTRACT**

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DOCKET NO. 99-00778

**ORDER APPROVING GAS SERVICE AGREEMENT BETWEEN GASCO
DISTRIBUTION SYSTEMS, INC. AND THE ESTATE OF BRUNO GERNT, INC.**

This matter came before the Tennessee Regulatory Authority ("Authority") for consideration of a Gas Service Agreement (the "Agreement") entered into on July 22, 1999, by and between Gasco Distribution Systems, Inc. ("Gasco") and the Estate of Bruno Gernt, Inc. ("Gernt") pursuant to Authority Rule 1220-4-1-.07.

This special contract will allow Gasco to provide service to Gernt's new plant located in Fentress County, Tennessee. Gasco currently has one large industrial customer receiving service under a special contract previously approved by the TRA in July 1998 (Docket No. 97-07468). Under the Agreement, Gasco will supply gas to Gernt's new plant, a wood drying kiln facility, located three miles northeast of the town of Allardt, Tennessee. This new plant is beyond the service lines of the local gas supplier, City of Jamestown Gas System. The City of Jamestown Gas System has no objection to Gasco supplying natural gas to the Gernt lumber operations.

The Agreement is for a period of three (3) years, with provisions for three-year extensions. The contract price for gas will be tied to the New York Mercantile Exchange ("NYMEX") gas futures market, which will allow the gas rate to fluctuate with market

conditions. The industrial tariff rate is available on a monthly basis with no contract period and contains a minimum bill charge of \$7.50. The industrial tariff rate customers are seasonal and their usage averages less than 12 MCF's¹ per month during the heating season. The Gernt contract usage is not seasonal, will be adjusted monthly and is expected to fall between 30 to 50 MCF's per month. The Agreement also requires the customer to pay for the cost of extending Gasco's system to serve the plant. The extension cost of \$10,667.00 is reasonable based upon the record before the Authority.

This Agreement was considered by the Authority at a regularly scheduled Authority Conference held on November 23, 1999. Upon review of the Agreement and pertinent portions of the record, the Authority made the following findings and conclusions:

- (1) Authority Rule 1220-4-1-.07 states:

“Special contracts between public utilities and certain customers prescribing rates, services, and practices not covered or permitted in the general tariffs . . . are subject to supervision, regulation, and control by the Authority. A copy of such special agreements shall be filed, subject to review and approval.”

The purpose of the Authority Rule 1220-4-1-.07 is to permit regulated utilities to enter into special contracts with customers whose unusual and particular requirements demand specialized services. Such services are not offered to the general public and therefore, are not appropriate for inclusion in the utility's tariff.

- (2) No other party has, at any time, sought intervention into this docket.

- (3) The Agreement is consistent with previous Authority decisions and orders and contains terms similar to the contract under which Gasco has provided service to the Hutchinson facility, as approved by the Authority in Docket No. 97-07468.

¹ MCF means one thousand cubic feet of gas.

(4) Under the Agreement, the demand for gas will be on a year-round basis, and for a contract period of three (3) years.

Upon the foregoing findings, the Directors voted unanimously to approve this Agreement.

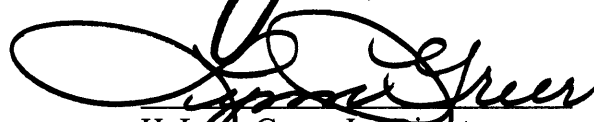
IT IS THEREFORE ORDERED THAT:

(1) The Gas Service Agreement entered into by and between Gasco Distributions Systems, Inc. and the Estate of Bruno Gernt, Inc. is approved;

(2) Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order; and

(3) Any party aggrieved with the Authority's decision in this matter has the right to judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order.


Melvin J. Malone, Chairman


H. Lynn Greer, Jr., Director


Sara Kyle, Director

ATTEST:


K. David Waddell, Executive Secretary